

Message Text

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ACTION AID-59

INFO OCT-01 NEA-14 ISO-00 SP-03 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 IGA-02 SCI-06 ABF-01 SWF-02 L-03 H-03 DODE-00

PA-04 USIA-15 PRS-01 DRC-01 AGR-20 /228 W

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R 290332Z JUL 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 3799

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E.O. 11652: N/A

TAGS: EAID, BG

SUBJECT: BDG REQUEST FOR EMERGENCY ASSISTANCE

REF: DACCA 3216, 2845

BEGIN SUMMARY. OUR DETAILED REVIEW OF BDG'S DOCUMENTATION FOR RENEWED REQUEST FOR EMERGENCY ASSISTANCE REVEALS NO REASON TO CHANGE RECOMMENDATIONS (DACCA 2845) WE MADE RE ORIGINAL REQUEST. OTHER DONOR RESPONSE APPEARS EXTREMELY LIMITED SO FAR, BUT BDG IS AT LEAST PRESSING AHEAD FOR CONSORTIUM. WE HAVE URGED WORLD BANK REPRESENTATIVE HERE TO TAKE ACTIVE ROLE IN PREPARING BDG FOR REALISTIC PREPARATIONS IT WILL NEED TO MAKE FOR CONSORTIUM MEETINGS, AND WE URGE AID/W TO SPEAK TO BANK ALONG SIMILAR LINES. END SUMMARY.

1. WE HAVE GONE OVER BDG ANALYTICAL NAPER IN DETAIL AND, WHILE MUCH OF THE DOCUMENTATION IS USEFUL, WE DO NOT FIND ANY REASON IN IT TO ALTER THE RESPONSE WE HAVE MADE TO THE ORIGINAL REQUEST. BROAD DEFICIENCIES IN PRESENTATION, NOW AVAILABLE IN WASHINGTON, IN TERMS OF BASIC POLICY CONSIDERATIONS AND PRIORITIES SHOULD BE LIMITED OFFICIAL USE

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READILY APPARENT TO THOSE FOLLOWING BD DEVELOPMENT SITUATION AND

DO NOT NEED TO BE RESTATED IN THIS CABLE. SPECIFIC COMMENTS FOLLOW:

A. IMPORT BILL IS PREDICATED IN PART ON ACHIEVEMENT FY 70 PER CAPITA AVAILABILITIES WITHOUT REGARD TO ALREADY ALTERED DEVELOPMENT PRIORITIES. THIS TOTALLY BEGS QUESTION OF WHAT SHOULD BE PRODUCED NOW AND WHAT MIGHT BE THE OPTIMUM COMPOSITION OF INDUSTRIAL PRODUCTION WITH EMPHASIS ON MAXIMIZING EXISTING CAPACITY VICE CONTINUING TO SEEK IMPORTED SOLUTIONS.

B. ANNEXURE ONE UNDERSTATES RECEIPTS FROM LOCAL COST FINANCING SINCE EXPECTED USAID LOCAL COST FINANCING ALONE IN FY 75 WILL EXCEED TOTAL SHOWN LINE 13.

C. NATURE OF DEBT SERVICE ENTRY (LINE 6 ANNEXURE 1) UNCLEAR AND WE ARE SEEKING CLARIFICATION. IF DEBT SERVICE IS INTEREST ONLY, \$26.3 MILLION WOULD BE CARRYING CHARGES ON APPROXIMATELY 550 MILLION DISBURSED ASSISTANCE AT AVERAGE 5 PERCENT INTEREST RATE. SERVICE ON EAST PAKISTAN LIABILITY TO BE ASSUMED IS NOT REPEAT NOT INCLUDED. IN ANY CASE, SHORT TERM BURDEN CONSISTING OF LINE 6 PLUS ADJUSTMENT ON ACCOUNT PAST DISCOUNTING OF EXPORT BILLS PLUS REPAYMENT SHORT TERM BORROWING (TOTAL \$86 MILLION) IS CLEARLY SUBJECT FOR CONCERN BY DONORS.

D. THE POL IMPORT BILL IS CONSISTENT WITH PREDICTIONS MADE SEVERAL MONTHS AGO.

2. IBRD REPORTS SEVERAL STEPS TAKEN BY BDG IN FACE OF EMERGENCY SITUATION WHICH IT FEELS HAVE PLACED THE SITUATION MORE REASONABLY IN HAND. THOSE CITED INCLUDED:

(A) A VIRTUAL MORATORIUM ON ISSUANCES OF NEW L/COMMS,
(B) REQUIREMENT THAT IMPORTERS ARRANGE DEFERRED TERMS OF PAYMENT FOR ALL IMPORTS NOT COVERED BY EXTERNAL ASSISTANCE,
(C) RENEGOTIATION OR CANCELLATION OF SOME FOODGRAIN CONTRACTS. ALSO UNDER CONSIDERATION IS POSSIBILITY REDISCOUNTING ABORAD PORTFOLIO OF JUTE BILLS HELD BY LOCAL COMMERCIAL BANKS.

3. CANVASS OF DONORS INDICATES LITTLE DIRECT RESPONSE TO BDG REQUEST. UNLIKE US, MOST GOVERNMENTS APPARENTLY WERE NOT APPROACHED HERE PRIOR TO SUBMISSION OF WRITTEN AIDE MEMOIRE. FOR THIS AND OTHER REASONS, DUTCH, SWEDISH, JAPANESE, BELGIANS, AUSTRALIANS, GERMANS AND BRITISH GOVERNMENTS HAVE NOT DIRECTLY RESPONDED. CANADIANS AND FRENCH HAVE REPROGRAMMED SOME FUNDS FROM PROJECTS TO COMMODITIES BUT NOT IN DIRECT RESPONSE TO AIDE MEMOIRE. SEVERAL COUNTRIES, NOTABLY CANADA, JAPAN AND HOLLAND HAVE MADE LIMITED OFFICIAL USE

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INITIAL PLEDGES OF ASSISTANCE, EITHER BILATERALLY OR THROUGH UN SPECIAL FUND FRAMEWORK, DESIGNED TO OFFSET BURDEN OF OIL PRICE INCREASES. SEVERAL ALSO CITED SLOW DISBURSEMENT RECORD ON CURRENT ASSISTANCE AS MAJOR STUMBLING BLOCK IN JUSTIFYING ADDITIONAL ASSISTANCE NOW.

4. IBRD ACTING RESREP REPORTS HIS BELIEF PLANNING COMMISSION DY CHAIRMAN NURUL ISLAM DESIRES THAT CONSORTIUM MEETING BE HELD AS

EARLY AS SEPTEMBER. WE HAVE ADVISED ACTING RESREP OF OUR FIRM BELIEF THAT BANK MUST PLAY ACTIVE LEADERSHIP ROLE IN PREPARING BDG FOR DIFFICULT AND BASIC QUESTIONS WHICH DONORS ARE CERTAIN TO ASK. IF BDG EXPECTS TO COME TO CONSORTIUM WITHOUT DOING EXTENSIVE HOMEWORK ON BASIC POLICY QUESTIONS RAISED BY, AND NOT ADDRESSED IN, ITS SUBMISSION, CONSORTIUM LIKELY TO BECOME DISTASTEFUL EVENT FOR ALL CONCERNED. THEREFORE, URGE AID/W ENCOURAGE BANK TO HELP PREPARE BDG FOR CONSORTIUM MEETING DESIGNED TO REVIEW NOT ONLY SHORT TERM SITUATION BUT ALSO LONG TERM BASIC POLICY QUESTIONS. FYI. ACTING RESREP ALSO REPORTS NOMINATION PERMANENT SENIOR LEVEL RESREP NOW WITH DEPUTY CHAIRMAN PC AND PM. END FYI.
BOSTER

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